HOUSING MARKET INFORMATION

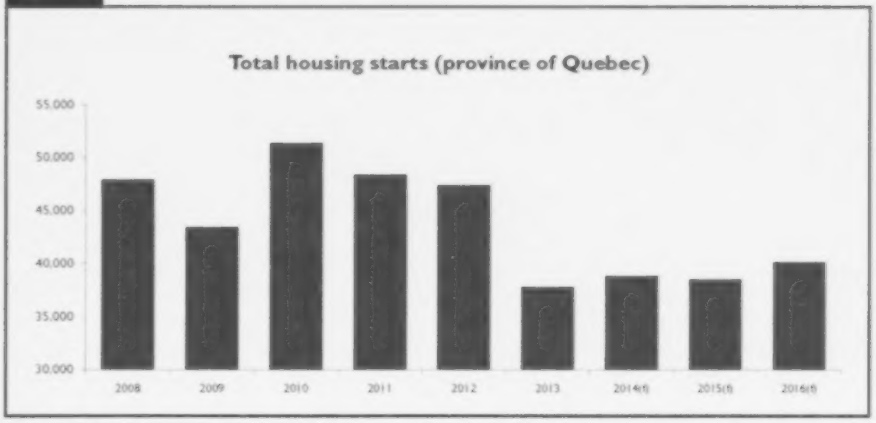
HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: First Quarter 2015

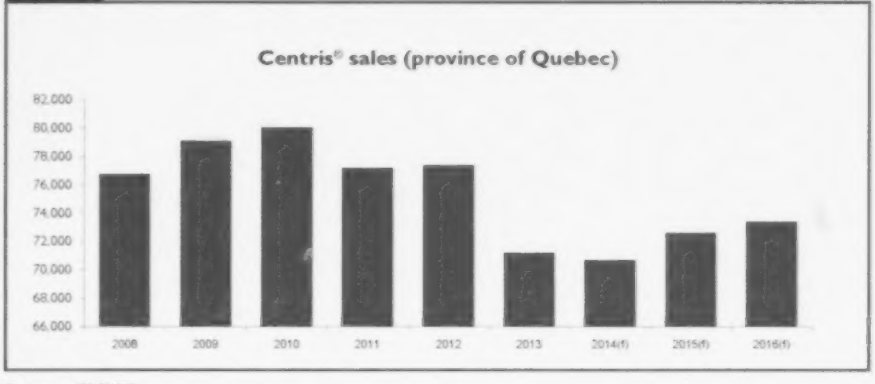
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: CMHC

Overview

A gradual pick up in Quebec's economic growth over the next two years will provide some stimulus to housing demand in 2015 and 2016. During this period, resale markets will tighten somewhat, which will help sustain housing starts. However, despite an edging up of demand, the expected supply levels will keep price growth below the 2 per cent mark.

In the next two years, economic growth will stem from consumer spending and net exports. Meanwhile, private investment and public expenditure growth will be limited by the rise of the US dollar and by balanced budget objectives respectively. Thus, following growth of 1.5 per cent in 2014, Quebec GDP will increase by 2.0 per cent in 2015 and in 2016. The impact on labour markets will be felt more substantially at the end of 2015. As a result, employment will grow at a rate of 0.6 per cent in 2015 and 1.3 per cent the year after. The unemployment rate will regress from 7.7 per cent in 2014 to 7.5 per cent in 2015 and to 7.1 per cent in 2016.

The moderate job market recovery and the relative weakening of labour markets in western Canada will help retain workers in the province. Moreover, with the help of rising immigration, total net migration, will likely exceed 39,000 persons in 2015 and 43,000 persons the following year. Such levels will have a positive impact on demand in Quebec's rental markets.

In Detail

Single Starts

Again this year, demand for new single-detached homes will be influenced by moderate employment growth, the tightening of the resale market. Starts in this category will climb toward the 13,000 level this year. As the resale market tightens, demand for new single-detached homes will increase. This will translate into 13,700 starts next.

Multiple Unit Starts

After edging back up last year, as a result of developments in certain large apartment construction sites in downtown Montréal, multiple unit housing starts will go back to a level that is more in line with the demographic trends. Further growth will be held back by relatively high levels of supply of new and resale housing, which will limit the need for additional building. Starts of multiple unit dwellings will be at 25,800 units in 2015 and at 26,400 in 2016.

Resales

Sales of existing houses recorded by Centris® should increase slightly this year and next, in line with employment growth. A total of 72,600 transactions is thus expected this year. Following this increase, slightly more robust labour markets will translate into 73,400 Centris® in 2016.

Prices

As mentioned earlier, despite rising demand, supply levels on the resale market will limit price growth during the forecast horizon. In this context, prices of resale homes will post marginal growth during the next two years (1.9 per cent in 2015 and in 2016). As a result, the average price recorded by Centris® will reach $270,800 in 2015 and $276,000 in 2016.

Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

Mortgage rates		
1 Year	Q4 2014	3.14
	Change from Q4 2013	0.00
	2014	3.14
	2015 (F)	2.60 - 3.80
	2016 (F)	2.60 - 4.20
5 Year	Q4 2014	4.79
	Change from Q4 2013	-0.55
	2014	4.88
	2015 (F)	4.30 - 5.80
	2016 (F)	4.30 - 6.20

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q4 2014 data

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.30 to 5.80 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.60 to 4.20 per cent range, while the five-year rate is forecast to be within the 4.30 to 6.20 per cent range.

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q4 2014	0.7	7.3	947.27	Q4 2014	476	139	337	681	235,258
	Q4 2013	-1.0	7.0	953.98	Q4 2013	628	121	507	640	242,719
	Change[1]	1.7	0.3	-0.7%	% Change	-24.2	14.9	-33.5	6.4	-3.1
Montréal	Q4 2014	-0.4	8.1	837.97	Q4 2014	5,644	630	5,014	7,410	343,380
	Q4 2013	1.1	8.0	816.80	Q4 2013	4,565	763	3,802	7,290	327,076
	Change[1]	-1.6	0.1	2.6%	% Change	23.6	-17.4	31.9	1.6	5.0
Québec	Q4 2014	-2.0	5.4	819.33	Q4 2014	974	199	775	1,424	263,412
	Q4 2013	1.4	4.7	853.41	Q4 2013	1,277	207	1,070	1,249	265,129
	Change[1]	-3.4	0.7	-4.0%	% Change	-23.7	-3.9	-27.6	14.0	-0.6
Saguenay	Q4 2014	1.2	9.6	819.35	Q4 2014	98	55	43	203	184,206
	Q4 2013	4.9	7.3	784.16	Q4 2013	182	85	97	197	198,273
	Change[1]	-3.6	2.3	4.5%	% Change	-46.2	-35.3	-55.7	3.0	-7.1
Sherbrooke	Q4 2014	6.3	7.6	812.89	Q4 2014	278	92	186	335	219,908
	Q4 2013	-4.6	7.0	748.64	Q4 2013	565	97	468	315	250,290
	Change[1]	10.8	0.6	8.6%	% Change	-50.8	-5.2	-60.3	6.3	-12.1
Trois Rivières	Q4 2014	3.3	6.5	801.73	Q4 2014	303	66	237	231	156,607
	Q4 2013	3.4	8.3	771.93	Q4 2013	207	71	136	165	156,866
	Change[1]	-0.1	-1.8	3.9%	% Change	46.4	-7.0	74.3	40.0	-0.2
Province of Quebec	December 14	-0.2	7.5	817.71	Q4 2014	11,070	2,673	8,397	14,842	276,825
	December 13	0.0	7.7	808.94	Q4 2013	10,661	3,110	7,551	14,146	269,883
	Change[1]	-0.3	-0.2	1.1%	% Change	3.8	-14.1	11.2	4.9	2.6
Canada[2]	December 14	0.7	6.7	907.57	Q4 2014	48,164	19,539	28,625	99,902	414,030
	December 13	0.7	7.2	892.88	Q4 2013	50,453	19,671	30,782	94,451	391,444
	Change[1]	0.0	-0.5	1.6%	% Change	-4.5	-0.7	-7.0	5.8	5.8

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).

The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook
(units and percentage change)

	2010	2011	2012	2013	2014	2015(F)	2016(F)
Housing Starts:							
Single	19,549	16,554	16,059	13,144	11,227	12,700	13,700
%	11.5	-15.3	-3.0	-18.2	-14.6	13.1	7.9
Multiple	31,814	31,833	31,308	24,614	27,583	25,800	26,400
%	23.0	0.1	-1.6	-21.4	12.1	-6.5	2.3
Total	51,363	48,387	47,367	37,758	38,810	38,500	40,100
%	18.3	-5.8	-2.1	-20.3	2.8	-0.8	4.2
Existing Home Markets:							
Centris® Sales	80,027	77,164	77,373	71,198	70,686	72,600	73,400
%	1.2	-3.6	0.3	-8.0	-0.7	2.7	1.1
Centris® Average Price	241,455	252,144	260,501	262,443	265,754	270,800	276,000
%	7.1	4.4	3.3	0.7	1.3	1.9	1.9

Quebec Housing Market Outlook
(units and percentage change)

	2015Q1(F)	2015Q2(F)	2015Q3(F)	2015Q4(F)	2016Q1(F)	2016Q2(F)	2016Q3(F)	2016Q4(F)
Housing Starts:								
Single	12,500	12,700	12,800	13,000	13,500	13,750	13,750	14,000
%	14.6	1.6	0.8	1.6	3.8	1.9	0.0	1.8
Multiple	25,300	25,500	26,000	26,500	26,000	26,300	26,500	27,000
%	-13.4	0.8	2.0	1.9	-1.9	1.2	0.8	1.9
Total	37,800	38,200	38,800	39,500	39,500	40,050	40,250	41,000
%	-5.8	1.1	1.6	1.8	0.0	1.4	0.5	1.9
Existing Home Markets:								
Centris® Sales	72,300	72,500	72,800	73,000	73,300	73,500	73,500	73,500
%	-0.8	0.3	0.4	0.3	0.4	0.3	0.0	0.0
Centris® Average Price	267,000	270,000	272,000	274,000	274,500	275,500	276,500	277,500
%	-3.0	1.1	0.7	0.7	0.2	0.4	0.4	0.4

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges

	2015			2016		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec						
Housing Starts	38,500	41,500	33,400	40,100	44,100	34,300
Multiple	25,800	27,900	22,500	26,400	29,000	22,700
Single	12,700	13,600	10,900	13,700	15,100	11,600
Centris® Sales	72,600	76,300	65,400	73,400	78,100	65,500
Centris® Average Price ($)	270,800	279,600	255,000	276,000	287,000	260,000
Canada						
Housing Starts	187,400	201,000	154,000	185,100	203,000	148,000
Multiple	110,500	119,000	89,000	110,600	121,000	86,000
Single	76,900	82,000	65,000	74,500	82,000	62,000
MLS® Sales	479,900	504,000	425,000	474,400	505,000	410,000
MLS® Average Price ($)	414,200	428,000	384,000	420,900	438,000	388,000

Source : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2014	2015(F)*	% chg (2014/ 2015)	2016(F)*	% chg (2015/ 2016)	YTD 2014**	YTD 2013**	% chg (2013/ 2014)
Gatineau	Single-Detached	479	460	-4.0	450	-2.2	479	475	0.8
	Multiple	1,424	1,400	-1.7	1,350	-3.6	1,424	1,449	-1.7
	Total	1,903	1,860	-2.3	1,800	-3.2	1,903	1,924	-1.1
Montréal	Single-Detached	2,677	2,800	4.6	2,900	3.6	2,677	3,039	-11.9
	Multiple	15,995	14,000	-12.5	14,100	0.7	15,995	12,593	27.0
	Total	18,672	16,800	-10.0	17,000	1.2	18,672	15,632	19.4
Québec	Single-Detached	887	850	-4.2	800	-5.9	887	961	-7.7
	Multiple	3,562	3,000	-15.8	2,700	-10.0	3,562	3,719	-4.2
	Total	4,449	3,850	-13.5	3,500	-9.1	4,449	4,680	-4.9
Saguenay	Single-Detached	268	250	-6.7	250	0.0	268	337	-20.5
	Multiple	404	350	-13.4	350	0.0	404	582	-30.6
	Total	672	600	-10.7	600	0.0	672	919	-26.9
Sherbrooke	Single-Detached	369	320	-13.3	300	-6.3	369	442	-16.5
	Multiple	759	780	2.8	775	-0.6	759	1,054	-28.0
	Total	1,128	1,100	-2.5	1,075	-2.3	1,128	1,496	-24.6
Trois-Rivières	Single-Detached	239	235	-1.7	215	-8.5	239	243	-1.6
	Multiple	704	565	-19.7	535	-5.3	704	606	16.2
	Total	943	800	-15.2	750	-6.3	943	849	11.1

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - December

Quebec Region Housing Forecast - Resale Market

		2014	2015(F)*	% chg (2014/2015)	2016(F)*	% chg (2015/2016)	YTD 2013**	YTD 2014**	% chg (/)
Gatineau	Centris® Sales[1]	3,338	3,450	3.4	3,600	4.3	3,544	3,338	-5.8
	Centris® Avg. Price[1]	240,758	243,406	1.1	246,570	1.3	243,355	240,758	-1.1
Montréal	Centris® Sales[1]	35,764	37,000	3.5	38,500	4.1	36,491	35,764	-2.0
	Centris® Avg. Price[1]	331,068	336,000	1.5	342,000	1.8	323,967	331,068	2.2
Québec	Centris® Sales[1]	6,472	6,675	3.1	6,950	4.1	6,273	6,472	3.2
	Centris® Avg. Price[1]	264,536	265,800	0.5	269,700	1.5	267,294	264,536	-1.0
Saguenay	Centris® Sales[1]	1,144	1,150	0.5	1,050	-8.7	1,185	1,144	-3.5
	Centris® Avg. Price[1]	189,724	185,900	-2.0	182,200	-2.0	192,237	189,724	-1.3
Sherbrooke	Centris® Sales[1]	1,650	1,775	7.6	1,825	2.8	1,665	1,650	-0.9
	Centris® Avg. Price[1]	222,204	223,000	0.4	227,000	1.8	229,483	222,204	-3.2
Trois-Rivières	Centris® Sales[1]	1,119	1,180	5.5	1,050	-11.0	928	1,119	20.6
	Centris® Avg. Price[1]	163,570	167,000	2.1	169,700	1.6	158,582	163,570	3.1

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2014-2015
[1] Source for the CMA's : Centris® Statistics
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.
** YTD = January - December

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate			Average Rent 2-Bedroom Units		
	Oct. 2014	Oct. 2015(F)	Oct. 2016(F)	Oct. 2014	Oct. 2015(F)	Oct. 2016(F)
Gatineau	6.5	6.3	6.0	750	755	760
Montréal	3.4	3.4	3.2	739	750	765
Québec	3.1	3.5	3.5	775	785	795
Saguenay	4.2	4.5	4.5	595	605	615
Sherbrooke	5.4	5.6	5.6	604	620	635
Trois-Rivières	5.3	5.1	5.1	568	575	580
Canada	2.8	2.9	2.8	955	970	985

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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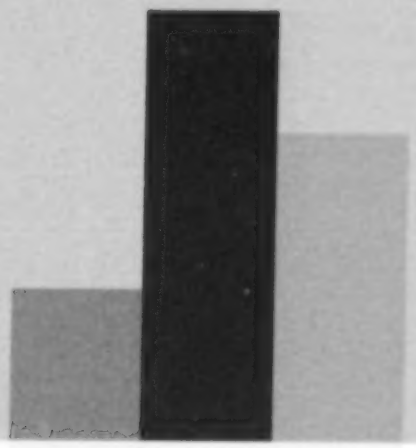

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